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8. — *American Political Economy; including Strictures on the Management of the Currency and the Finances since 1861, with a Chart showing the Fluctuations in the Price of Gold.* By FRANCIS BOWEN, Alford Professor of Natural Religion, Moral Philosophy, and Civil Polity in Harvard College. New York: Charles Scribner & Co. 1870. pp. 495.

PROFESSOR BOWEN'S new work on Political Economy (for such, although nominally a new edition, he declares it in effect to be) comes at a time when our people much need to be reminded of the existence of such a science; though it is at the same time unfortunate in this respect, that there has seldom been a more widely spread disposition to deny the fact. The national stomach has been so nauseated with the multiplicity of doctors and of remedies, that it leans strongly to the expectant system of *laissez-faire*, in the somewhat ludicrous sense, perhaps, which Mr. Bowen gives to the phrase, — that of securing the freedom of the individual by tying the hands and feet of everybody else lest he should be interfered with.

The book appears to us to be unusually readable. The English works on the subject are in a great degree theoretical and, therefore, dry. Professor Bowen charges them with being written mainly on the deductive principle; and in the attempt to change the method to induction he certainly adds materially, by practical illustrations, to the interest of the subject. The term "American" savors slightly of congressional rhetoric, and we do not remember having seen an English or a French Political Economy. It is not, however, an unmeaning phrase. Mr. Bowen adduces the conditions of property and population in this country to show that the principles underlying the reasoning of English economists are based upon the peculiar form of English society, and that much of human suffering, charged by the writers of that nation upon the necessary conditions of social existence, is in reality attributable to unjust social arrangements. Malthus on population, and Ricardo on rent, are the great dragons against which he feels bound to do vigorous battle. On the other hand, Mr. Bowen certainly cannot be charged with socialistic tendencies.

The subject of free-trade is one upon which Mr. Bowen will give least satisfaction to the English mind. Having read a good deal upon this question, with an impartial mind as we trust, we confess that the disputants seem to us to resemble the two knights who were fighting about the golden and silver shield. In the artificial condition of modern society, absolute free-trade is a chimera. So long as England, the champion of the doctrine, raises any revenue from customs, or subsidizes a

single line of steamships, she does not stand above reproof. In this sense Mr. Wells, who has served as a bone of much contention of late, is no more a free-trader than he is a Jew. He admits that, notwithstanding a tariff of over forty per cent on the average, there is hardly an article which during the last five years could not be imported cheaper than it could be manufactured in the United States. But, while urging reform of the tariff, he by no means advocates its abolition. At a time when even this high tariff is nearly offset by internal taxation and the vicious state of our currency, and when the state of our foreign trade is such that we are running into debt abroad at a rate of fully two hundred millions a year, it seems hardly judicious to talk of taking off all check upon foreign importations. The fact appears to be that it is a question entirely of expediency, and that the evil in our case consists in the varying adjustment of the tariff by private interests working in secret committees. The remedy is, we think, to be found, not in declamations upon free-trade, but in treating the tariff in connection with the whole scheme of finance to be introduced into Congress by the executive, and discussed in public in the interest of the whole people.

The nature and operation of money form the rock upon which political economists are most apt to split. It is unfortunate for this branch of the science that the practical experiments are almost wholly conducted by men who have little interest in general principles, and less knowledge of them, while theorists have usually but little opportunity for practical observation. If Mr. Bowen could pass five years in a broker's office in Wall Street he might learn much upon this subject that he will never reach through books alone. The labors of Mr. J. Stuart Mill in this department have produced very little fruit, while those of Lord Overstone have resulted in the establishment of the present Bank of England system, — a system which has done very much for the establishment of a sound currency, and which, though not untainted with evil that demands a similar mind to secure its elimination, cannot be too much recommended as a subject of study for our financiers. We are sure that Mr. Mill, and we believe that Mr. Bowen, has but a very imperfect comprehension of the principles on which that system is based.

It is Mr. Bowen's great error with regard to money — one which he shares with other theorists — that he greatly undervalues its importance. Treating money merely as a medium of exchange, he regards it simply as an agent for facilitating the operations of commerce, and through it, as the shadow, he seeks to pass to the substance behind. We, on the contrary, believe that money, as distinct from credit, is

one of the most positive and powerful of forces for good and for evil. Mr. Bowen defines money as consisting in strictness only of specie. Currency he defines as the *current* substitute for money, including under it notes payable on demand, promissory notes, bonds, bank deposits, etc. This definition we hold to be vitally erroneous, and would rather define money or currency — believing them to be equivalent terms — as including everything which will pay debts, make purchases, etc., without introducing any question of its own price. This definition applies to specie, notes payable on demand to bearer, and bank deposits. It does not apply to promissory notes or other obligations payable at a future time, because with them there is a question of interest, that is, of price. The paper money of Great Britain and that of this country before the war, being both convertible into specie, were equivalent to specie and therefore to each other, and were actual additions to the money of the world. They were not substitutes for money, but money itself. A gold dollar possesses an intrinsic value; but if a paper dollar can be made to do the same work, and also be exchangeable at pleasure for the gold dollar, the paper has for the time exactly the same value as the gold. That this value may be diminished or destroyed by over-issue is no refutation of this view. When, therefore, the economists set themselves to estimate the decline in the value of gold, from excessive production, they overlook the fact that the increase of money in the form of bank-notes and deposits in the last half-century is at least twice or three times as great as that in the form of specie. Yet so enormous has been the expansion of the commerce of the world, and the consequent increased uses for money, that its value has probably not declined more than about one half.

Mr. Bowen defines floating capital as “the aggregate of merchandise of all sorts directly exposed for sale.” We believe that money — even paper money — as the measure of value and the instrument of exchange, is capital just as much as, though not more than, a yard-stick, a plough, or a factory; though as the latter are used only for limited purposes, while money enters into almost every transaction of our lives, its value as capital is exaggerated in the popular view. Mr. Bowen is occasionally led into contradictions by the clashing of facts with his arbitrary definitions. On page 248 he says: “To increase the stock of money in a country is not thereby to augment the fund available for loans, or to diminish the difficulty of borrowing, or to lower the rate of interest.” On page 305: “The great addition to the stock of precious metals will appear, at first, in the form of *floating capital* seeking investment. Thus, until the prices of commodities begin to be sensibly affected, there will be more lenders than borrowers, and

money will be offered at a lower interest." We agree with the latter of the two views. An increase of money makes it abundant, until a rise of prices or a new development of business absorbs the surplus. Were it possible for the increase of money to be steady and constant there seems to be no reason why business should not have a steady prosperity and development. Unfortunately the increase of bank money has a limit; and sooner or later, under the existing system at least, a contraction follows, which is generally sudden and severe. Commercial crises, which Mr. Bowen attributes almost wholly to speculation, we believe to be mainly chargeable to fluctuations in the quantity and value of money produced by the voluntary, though perhaps unconscious, action of banks.

We have differed from Mr. Bowen as to deposits being money. He may probably be still more incredulous at the statement that deposits are money created by the banks exactly as their notes on demand are. But we make the statement with confidence, though we have not now space to enter upon the proof of it. In view of this, any system which shall attempt to regulate bank-notes without also reaching the deposits must fail of its purpose.

There is another popular error into which Mr. Bowen seems to have fallen, — that of measuring the depreciation of our currency by the price of gold, and supposing that a fall of the latter indicates improvement of the former. It is undoubtedly true that this must, in the long run, be the test; but it may be altogether falsified for the time. The demand for our securities in Europe has for some years been such as to offset an adverse foreign trade with but little export of gold. And, as there was no use for gold at home, even the small amount upon the market has been sufficient to depress the price. If, as we believe, our general prices are much higher, the fall in gold is simply a premium upon imports, and these will continue in excess till, the demand for securities being satiated, a drain of gold must take place; the price will then probably rule as much too high as it is now too low.

The history of our greenback currency, the National Bank system, the creation and form of our own and foreign debts, with our own and foreign systems of taxation, — all these are subjects which Professor Bowen treats at length, and into which we should be glad to follow him. We yield to the lack of space, however, with the less regret from the conviction that what the country needs is, not so much a sound exposition as the practical application of *any* principles. It is doubtful if the theory of finance has ever been so extensively discussed as in the publications of this country for the last few years. Yet when one looks at the utter confusion in the debates and

action of Congress, the total want of plan, and defiance of all settled principle, it makes one look with anxiety for the mind which is to bring order out of this chaos. And the extraordinary feature about it is that this recklessness has hitherto been attended with apparent success. Diminution of debt and the approach of gold to par, these are the popular tests of improving finance. It needs no very keen observation, however, to perceive — and indeed the depressed and expectant attitude of business shows a growing consciousness of the fact — that financial laws are silently working out their mission, and that the recoil must sooner or later be the more violent from the long and severe tension with which they have been resisted.

LIST OF SOME RECENT PUBLICATIONS.

1. *Systems of Land Tenure in Various Countries: A Series of Essays published under the Sanction of the Cobden Club.* London: Macmillan & Co. 1870. 8vo. pp. 420.

2. *Alaska and its Resources.* By William H. Dall. Boston: Lee and Shepard. 1870. 8vo. pp. 640.

3. *The Invitation Heeded: Reasons for a Return to Catholic Unity.* By James Kent Stone, S. T. D., late President of Kenyon College, and of Hobart College. New York: The Catholic Publication Society. 1870. 12mo. pp. 341.

4. *Poems.* By Dante Gabriel Rossetti. Boston: Roberts Brothers. 1870. 12mo. pp. 280.

5. *The History of English Poetry, from the Eleventh to the Seventeenth Century.* By Thomas Warton, B. D. From the last London Edition. New York: G. P. Putnam and Sons. 1870. 8vo. pp. 1032.

6. *The Diary of John Evelyn, Esq., from the Year 1641 to 1705-6, and a Selection of his Familiar Letters.* From the last London Edition. New York: G. P. Putnam and Sons. 1870. 8vo. pp. 783.

7. *A Comparative Grammar of the Anglo-Saxon Language; in which its Forms are illustrated by those of the Sanskrit, Greek, Latin, Gothic, Old Saxon, Old Friesic, Old Norse, and Old High German.* By Francis A. March, Professor of English and of Comparative Philology in Lafayette College. New York: Harper and Brothers. 1870. 8vo. pp. 253.

8. *The Bible in the Public Schools. Arguments and Opinions in the Case of the Cincinnati Board of Education, before the Superior Court of Cincinnati.* Cincinnati: Robert Clarke & Co. 1870. 8vo. pp. 418.

9. *The First Book of Botany. Designed to Cultivate the Observing Powers of Children.* By Eliza A. Youmans. New York: D. Appleton & Co. 1870. 12mo. pp. 183.